

BEFORE THE COUNCIL OF THE
METROPOLITAN SERVICE DISTRICT

FOR THE PURPOSE OF ADOPTING) RESOLUTION NO. 81-271
CRITERIA FOR DETERMINING THE)
AMOUNT OF CORPORATE SURETY BONDS) Introduced by the Regional
FOR SOLID WASTE PROCESSING) Services Committee
CENTERS AND TRANSFER STATIONS)
FRANCHISED BY METRO.)

WHEREAS, Section 7(2)(a) of the Disposal Franchise Ordinance requires that applicants for solid waste franchises must submit a corporate surety bond in an amount established by the Council; and

WHEREAS, the formula for the amount of a corporate surety bond is determined to be the sum of the Mobilization Cost,¹ Equipment Cost,² Maintenance Cost,³ Cleanup and Site Maintenance Cost,⁴ and Metro Administration and Engineering Cost,⁵ but not less than \$25,000; and

WHEREAS, this formula is determined to be an efficient and equitable method for determining the amount of a corporate surety bond; now, therefore,

BE IT RESOLVED,

That the Council of the Metropolitan Service District adopts the above formula and directs Metro staff to prepare cost estimates and set bond amounts in accordance therewith.

¹Mobilization Cost -- If a solid waste processing/transfer facility suddenly closed, a new operator may be called in by Metro to continue operating the site. The costs for transporting equipment to the site, setting up facilities, etc., would be mobilization costs. The cost will be dependent on number of personnel and size and type of operation.

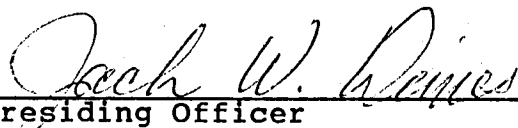
²Equipment Cost -- This cost is based on the direct cost to lease mobile equipment, such as tractor-trailer rigs, for a minimum of one month. The cost is dependent on the type and size of facility.

3 Maintenance Cost includes maintenance and repair of on-site equipment. The cost will be 20 percent of the initial equipment cost.

4 Clean-up and Site Maintenance Cost is dependent on the size and design of the facility but not less than \$10,000.

5 Metro Administration and Engineering Cost is dependent upon type of facility but not less than \$2,000.

ADOPTED by the Council of the Metropolitan Service District
this 3rd day of September, 1981.



Presiding Officer

KT/srb
3303B/236
08/20/81

A G E N D A M A N A G E M E N T S U M M A R Y

Res 81-271

TO: Metro Council
FROM: Regional Services Committee
SUBJECT: Performance Bond Criteria for Franchised Processing Centers and Transfer Stations

I. RECOMMENDATIONS:

- A. ACTION REQUESTED: Adopt the attached performance bond criteria for franchised processing centers and transfer stations.
- B. POLICY IMPACT: The requested action would establish criteria to be used by Metro in determining the amount of a performance bond required by operators of franchised solid waste processing centers and transfer stations. A minimum performance bond of \$12,000 would be required from both private and public facilities. This action is part of the franchise ordinance and is consistent with the five-year plan.
- C. BUDGET IMPACT: None

II. ANALYSIS:

- A. BACKGROUND: The Disposal Franchise Ordinance, Section 7(2)(a) and Section 8(5)(b), requires the franchisee to obtain a corporate surety bond guaranteeing full and faithful performance during the term of the franchise. If the operator of a franchised processing center should suddenly cease operation, Metro would be required to either start-up and operate the facility pending a decision on whether to continue operation or clean-up and close the facility. In either case, a bond is required to offset the costs of these activities.

Metro staff recommends that the bond include the following costs:

1. Mobilization
2. Equipment
3. Maintenance
4. Clean-up and Site Maintenance
5. Metro Administration and Engineering

Any processing or transfer station franchised by Metro would have to obtain a bond of at least \$12,000. The premium for this type of bond is between one and five percent of the amount of the bond. This premium is based on acquiring a short period (one year), renewable bond. The Solid Waste Policy Advisory Committee (SWPAC) has reviewed and approved the bond criteria.

- B. ALTERNATIVES CONSIDERED: Metro staff considered not requiring a bond from processing and transfer facilities in which the company which operates the facility is the only company which disposes at the facility. However, if this privately operated facility were to cease operation, Metro may have to clean-up the station. Therefore, a minimum bond based on clean-up, site maintenance and Metro administration costs is recommended.

In addition, Metro may rely on the franchised facility for providing a service. If such a facility would terminate operations, Metro would have to provide the service. Therefore, without a bond from these facilities, Metro would not have the funds to continue the service.

- C. CONCLUSION: Adoption of the attached performance bond criteria for franchised processing centers and transfer stations is recommended in order to off-set the costs in the event that the franchisee would discontinue operation of the facility.

KT/srb
3314B/236
07/13/81

SYNOPSIS OF

PERFORMANCE BOND CRITERIA

PROCESSING CENTERS AND TRANSFER STATIONS

The following are the recommended criteria for a performance bond for franchised processing centers and transfer stations. These criteria will apply to both private and public facilities.

1. Mobilization - Dependent on number of personnel and size and type of operation.
2. Equipment - Dependent on type and size of facility. Equipment cost, if required, would be based on direct cost to lease equipment for a minimum of one month.
3. Maintenance and repair of on-site equipment - Twenty percent of initial cost of the equipment.
4. Clean-up and site maintenance - Dependent on size and design of facility but not less than \$10,000.
5. Metro Administration and Engineering - Dependent upon type of facility but not less than \$2,000.

Total minimum bond - \$12,000

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